

# Low-Income Housing Credit

▶ Attach to your return.

Name(s) as shown on return

Taxpayer Identification number

## Part I Current Year Low-income Housing Credit (See Instructions.)

1	Number of Forms 8609 attached												
2	Eligible basis of building(s) (total from attached Schedule(s) A (Form 8609), line 1)		2										
3a	Qualified basis of low-income building(s) (total from attached Schedule(s) A (Form 8609), line 3)		3a										
b	Has there been a decrease in the qualified basis of any building(s) since the close of the preceding tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter the building identification number (BIN) of the building(s) that had a decreased basis. If more space is needed, attach a schedule to list the BINs. (i) _____ (ii) _____ (iii) _____ (iv) _____												
4	Credit for the year (total from attached Schedule(s) A (Form 8609) (see instructions))		4										
5	Housing credits from flowthrough entities	<table border="1"> <tr> <td>If you are a—</td> <td>Then enter total of current year housing credit(s) from—</td> </tr> <tr> <td>a Shareholder</td> <td>Schedule K-1 (Form 1120S), lines 12b(1) through (4)</td> </tr> <tr> <td>b Partner</td> <td>Schedule K-1 (Form 1065), lines 13b(1) through (4)</td> </tr> <tr> <td>c Beneficiary</td> <td>Schedule K-1 (Form 1041), line 12</td> </tr> <tr> <td>d Patron</td> <td>Written statement from cooperative</td> </tr> </table>	If you are a—	Then enter total of current year housing credit(s) from—	a Shareholder	Schedule K-1 (Form 1120S), lines 12b(1) through (4)	b Partner	Schedule K-1 (Form 1065), lines 13b(1) through (4)	c Beneficiary	Schedule K-1 (Form 1041), line 12	d Patron	Written statement from cooperative	5
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c Beneficiary	Schedule K-1 (Form 1041), line 12												
d Patron	Written statement from cooperative												
6	Current year credit—Add lines 4 and 5		6										

**See General Instruction B, Who Must File Form 3800, General Business Credit.**

## Part II Tax Liability Limitations

7a	Individuals—Enter amount from Form 1040, line 40	}	7
7b	Corporations—Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part 1, line 1)		
7c	Other filers—Enter regular tax before credits from your return		
8	Credits that reduce regular tax before the low-income housing credit:		
8a	Credit for child and dependent care expenses (Form 2441)	8a	
8b	Credit for the elderly or the disabled (Schedule R, Form 1040)	8b	
8c	Foreign tax credit (Form 1116 or Form 1118)	8c	
8d	Possessions tax credit (Form 5735)	8d	
8e	Mortgage interest credit (Form 8396)	8e	
8f	Credit for fuel from a nonconventional source	8f	
8g	Orphan drug credit (Form 6765)	8g	
8h	Total credits that reduce regular tax before the low-income housing credit (add lines 8a through 8g)	8h	
9	Net regular tax—Subtract line 8h from line 7		9
10	Tentative minimum tax:		
10a	Individuals—Enter amount from Form 6251, line 17	}	10
10b	Corporations—Enter amount from Form 4626, line 13		
10c	Estates and Trusts—Enter amount from Form 8656, line 37		
11	Net income tax:		
11a	Individuals—Add line 9 above, and line 19 of Form 6251. Enter the total	}	11
11b	Corporations—Add line 9 above, and line 15 of Form 4626. Enter the total		
11c	Other filers—See instruction for line 11c		
12	If line 9 is more than \$25,000, enter 25% of excess (see instructions)		12
13	Subtract line 10 or line 12, whichever is greater, from line 11. Enter the result. (If less than zero, enter -0-.)		13
14	Low-income housing credit allowed for current year. Enter the smaller of line 6 or line 13. This is your <b>General Business Credit</b> for 1990. Enter here and on Form 1040, line 44: Form 1120, Schedule J, line 4e; Form 1120-A, Part I, line 2a; or the appropriate line of other income tax returns		14

**Paperwork Reduction Act Notice.**—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** . . . . . 5 hrs., 16 min.

**Learning about the law or the form** . . . . . 1 hr., 50 min.

**Preparing and sending the form to IRS** . . . . . 4 hrs., 24 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

**Changes You Should Note.**—Section 11407(c) of the Revenue Reconciliation Act of 1990 provides that certain taxpayers may elect to increase their low-income housing credit by 50%. The election can be made only by eligible persons by completing lines 17 and 18 on Schedule A (Form 8609), revised January 1991. See the instructions for Schedule A for a definition of eligible persons and other details.

## General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

**A. Purpose of Form.**—Owners of residential rental buildings providing low-income housing use Form 8586 to claim the low-income housing credit.

**B. Who Must File Form 3800, General Business Credit.**—The general business credit consists of the investment credit, jobs credit, credit for alcohol used as fuel, research credit, low-income housing credit, and disabled access credit. If you have: (1) more than one of these credits for 1990; (2) a carryback or carryforward of any of these credits; or (3) a low-income housing credit from a passive activity, attach the appropriate credit forms and summarize them on **Form 3800, General Business Credit**. If you have only a 1990 low-income housing credit and the credit is not from a passive activity, you do not have to file Form 3800 this year.

**C. Partnerships, S Corporations, Estates and Trusts.**—Complete Part I to figure the credit to pass through to the partners, shareholders, or beneficiaries. Attach Form 8586 to the entity's income tax return along with a **Form 8609, Low-Income Housing Credit Allocation Certification**, and **Schedule A (Form 8609), Annual Statement**, for each building.

**Caution:** No credit may be claimed on any building for which there has been allowed any relief from the passive loss rules under section 502 of the Tax Reform Act of 1986.

## Introduction

The low-income housing credit determined under section 42 is a credit of 70% of the qualified basis of each new low-income building placed in service after 1986 (30% in the case of certain Federally subsidized new buildings or existing buildings). This credit is taken over a 10-year period so that the present value of the 10 annual credit amounts determined as of the last day of the first year of the credit period equals 70% (or 30%) of the building's qualified basis.

In general, the 10-year credit period starts at the beginning of the tax year in which the building is placed in service. However you may elect to begin the 10-year credit period in the tax year after the year the building was placed in service by checking the "Yes" box in Part II, line 5a, of Form 8609.

**Qualified Low-Income Housing Project.**—The low-income housing credit can only be claimed for residential rental buildings in low-income housing projects that meet one of the following tests:

- (1) **20-50 Test:** 20% or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income, or
- (2) **40-60 Test:** 40% or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 60% or less of the area median gross income.

**Note:** Owners of buildings in projects located in New York City may not use the 40-60 test.

Instead, they must use either the 20-50 test in (1) above, or a 25-60 test: 25% or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 60% or less of the area median gross income (see section 142(d)(6)).

You may elect either test for the project, but once made, the election is irrevocable. The test elected must be the same for all buildings in the project. Use Form 8609 to make this election. See Section 42(g) for more details.

You must obtain a Form 8609 (with Part I completed) from the state or local credit agency for each building for which you are claiming a credit. A copy of Form 8609 and accompanying Schedule A (Form 8609) for each building must be attached to your return for each year of the 15-year compliance period. You must also certify certain first-year information to the IRS on Form 8609. If this certification is not made, you may not claim a credit for that building.

However, you do not need to attach Form 8609 or Schedule A (Form 8609) to Form 8586 if the only credit claimed on Form 8586 is a credit from a flow-through entity. See the 'Note' at beginning of Specific Instructions below for details.

You may not take a low-income housing credit on a building if it has not received an allocation. Generally, the allocation must be received in the calendar year the building is placed in service. In addition, no credit will be allowed in excess of the amount allocated to the building by the housing credit agency. See section 42(h)(1) for details. An allocation is not needed when: (1) 50% or more of the aggregate basis of the building and the land on which the building is located is financed with certain tax-exempt bonds issued after 1989 for buildings placed in service after 1989; or (2) 70% or more of the aggregate building and land is financed with certain tax-exempt bonds issued before 1990.

However, you must still get a Form 8609 from the applicable housing credit agency (with Part I completed, including an assigned building's identification number) and you must still complete the appropriate parts of Form 8609 and attach it to your return.

"Land on which the building is located" includes only land that is functionally related and subordinate to the qualified low-income building (see Regulations section 1.103-8(b)(iii) for the meaning of "functionally related and subordinate").

**Recapture of credit.** There is a 15-year compliance period during which the residential rental building must continue to meet certain requirements. If, as of the close of any tax year in this period, there is a reduction of the qualified basis in any building from the previous year you may have to recapture a part of the credit you have taken. Similarly, you may have to recapture part of the credits taken in previous years upon certain dispositions of the building or interests therein. Use **Form 8611, Recapture of Low-Income Housing Credit**, See section 42(j).

**Recordkeeping Requirements.**—You should keep a copy of this Form 8586 together with all Forms 8609, Schedule(s) A (Form 8609), and Form 8611 for 3 years after the 15-year compliance period ends.

## Specific Instructions

**Note:** If the only credit claimed on Form 8586 is a credit you received from a flow-through entity (i.e., partnership, S corporation, estate, or trust), do not complete lines 1 through 4 or attach Forms 8609. Complete only lines 5 and 6 of Part I and the applicable lines of Part II, or Form 3800.

**Line 1.**—If any of the attached Forms 8609 are for buildings that are part of a multiple building project (defined in instructions for Part II, item 2b of Form 8609), attach a schedule listing the following information for each project: (1) name and address of the project and each building in the project., (2) the building identification number (BIN) of each building in the project, (3) the aggregate credit dollar amount for the project, and (4) the credit allocated to each building in the project.

**Line 3b.**—A decrease in qualified basis will result in recapture if the qualified basis at the close of the tax year is less than the qualified basis at the close of the first year of the credit period.

**Important:** If the reduction in qualified basis at the close of the tax year also results in a violation of the minimum set-aside requirement, then no credit is allowable for the year. If you must recapture credits, use Form 8611. See section 42(j) for additional information.

**Line 4.**—The line 4 credit for the year is figured on Schedule A (Form 8609) for each building. Copies of Form(s) 8609 and Schedule(s) A (Form 8609) must be attached to Form 8586 for each tax year a credit is claimed. Enter on line 4 the credit from line 16, 18, or 20, whichever is applicable, of Schedule A (Form 8609) (Rev. 1-91). If more than one Form 8609 and related Schedules A are attached, enter on line 4 the total credit from all attached Schedules A.

If Form 8586 is completed by a flow-through entity and the line 4 credit is attributable to more than one building, the entity must attach a schedule to Form 8586 that shows each partner's, shareholder's, or beneficiary's name, taxpayer identification number, and share of the line 4 credit for each building and the BIN of each building.

**Line 5.**—If you have credits from a flow-through entity, or a cooperative under section 521, total the credits from the appropriate forms and schedules and enter the total on line 5.

**Line 6.**—If any part of the credit on line 6 is from a passive activity, stop here and go to Form 3800.

**Line 11c. Other filers.**—Enter the sum of line 9 and your alternative minimum tax, if any, from whichever alternative minimum tax form you file.

**Line 12. Limitation.**—See section 38(c)(3) for special rules for married couples filing separate returns, for controlled corporate groups, and for estates and trusts.

**Carrybacks and carryforwards.**—If you cannot use part or all of the credit because of the tax liability limitations, you may carry the excess to other years. Use Form 3800.

See section 383 for the limitation on the amount of any excess general business tax credits of a loss corporation for any tax year ending after a post-1986 ownership change that may be used in a post-change year.